



**City of  
Matlosana**  
City of Matlosana

Annual Financial Statements  
for the year ended 30 June 2011

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Mayoral committee</b>	
Executive Mayor	O.M. Mogale ( Chairperson )
Councillors	Clr G.L. Sebuasengwe Clr M.J. Mapane Clr K.G. Tladi Clr N.E. Ngalo Clr PR Moleme Clr J Douw Clr RA Marumole Clr PR Pooe Clr P Seduku Clr Q Moeng Clr LM Kortjas
<b>Accounting Officer</b>	S.G. Mabuda ( Acting )
<b>Chief Finance Officer (CFO)</b>	R.T. Makgale ( Acting CFO )
<b>Registered office</b>	Bram Fischer Street Klerksdorp 2571
<b>Business address</b>	Bram Fischer Street Klerksdorp 2571
<b>Postal address</b>	P.O. Box 99 Klerksdorp 2570
<b>Bankers</b>	ABSA Bank Ltd
<b>Auditors</b>	Auditor General

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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**Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements is still subject to audit.

The annual financial statements set out on pages 4 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 09 September 2011 and were signed on its behalf by:

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**Accounting Officer**  
**S.G. Mabuda**

**09 September 2011**

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
<b>Assets</b>			
Current Assets			
Inventories	7	44 949 146	31 768 714
Trade and other receivables from exchange transactions	8	16 585 264	55 344 501
Consumer debtors	9	135 421 787	97 320 080
Other receivables	6	17 603	18 034
Cash and cash equivalents	10	22 543 324	75 699 053
		<b>219 517 124</b>	<b>260 150 382</b>
Non-Current Assets			
Investment property	3	67 144 400	67 144 400
Property, plant and equipment	4	2 256 367 451	2 380 492 591
Other financial assets	5	18 835 388	17 417 304
Other receivables	6	256 153	275 428
		<b>2 342 603 392</b>	<b>2 465 329 723</b>
<b>Total Assets</b>		<b>2 562 120 516</b>	<b>2 725 480 105</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	12	16 370 619	11 478 432
Trade and other payables from exchange transactions	15	259 709 878	104 020 383
VAT payable	16	31 021 571	30 941 015
Unspent conditional grants and receipts	13	15 220 774	17 553 901
Provisions	14	299 544 623	253 631 570
Consumer deposits		21 506 788	20 653 394
Bank overdraft	10	-	31 376 461
		<b>643 374 253</b>	<b>469 655 156</b>
Non-Current Liabilities			
Other financial liabilities	12	147 569 522	132 964 152
<b>Total Liabilities</b>		<b>790 943 775</b>	<b>602 619 308</b>
<b>Net Assets</b>		<b>1 771 176 741</b>	<b>2 122 860 797</b>
<b>Net Assets</b>			
Reserves			
Housing development fund	11	5 125 928	5 125 928
Accumulated surplus		1 766 050 813	2 117 734 869
<b>Total Net Assets</b>		<b>1 771 176 741</b>	<b>2 122 860 797</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue	18	1 145 966 173	1 035 489 671
Other income		214 090 771	175 431 182
Operating expenses		(1 539 224 219)	(1 329 928 375)
<b>Operating deficit</b>		<b>(179 167 275)</b>	<b>(119 007 522)</b>
Investment revenue	26	58 725 094	58 211 165
Finance costs	28	(19 460 557)	(19 512 295)
<b>Deficit for the year</b>		<b>(139 902 738)</b>	<b>(80 308 652)</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

Figures in Rand	Other NDR	Accumulated surplus	Total net assets
<b>Balance at 01 July 2009</b>	<b>5 125 928</b>	<b>2 198 043 521</b>	<b>2 203 169 449</b>
Changes in net assets			
Surplus for the year	-	(80 308 652)	(80 308 652)
<b>Total changes</b>	<b>-</b>	<b>(80 308 652)</b>	<b>(80 308 652)</b>
Opening balance as previously reported	5 125 928	2 117 734 871	2 122 860 799
Adjustments			
Prior year adjustments	-	(211 781 320)	(211 781 320)
<b>Balance at 01 July 2010 as restated</b>	<b>5 125 928</b>	<b>1 905 953 551</b>	<b>1 911 079 479</b>
Changes in net assets			
Surplus for the year	-	(139 902 738)	(139 902 738)
<b>Total changes</b>	<b>-</b>	<b>(139 902 738)</b>	<b>(139 902 738)</b>
<b>Balance at 30 June 2011</b>	<b>5 125 928</b>	<b>1 766 050 813</b>	<b>1 771 176 741</b>
Note(s)			

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		991 386 292	916 524 294
Grants		347 708 049	323 045 237
Interest income		58 725 094	58 211 165
Other receipts		275 299 276	178 819 187
		1 673 118 711	1 476 599 883
<b>Payments</b>			
Employee costs		(368 762 243)	(316 487 416)
Suppliers		(1 109 841 917)	(996 093 902)
Finance costs		(19 460 557)	(19 512 295)
		(1 498 064 717)	(1 332 093 613)
<b>Net cash flows from operating activities</b>	32	<b>175 053 994</b>	<b>144 506 270</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(215 785 835)	(183 527 893)
Purchase of financial assets		(1 418 084)	-
Proceeds from sale of financial assets		-	3 226 769
Proceeds from sale of other receivables		19 706	-
<b>Net cash flows from investing activities</b>		<b>(217 184 213)</b>	<b>(180 301 124)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		19 497 557	2 951 341
Movement in consumer deposits		853 394	1 670 607
<b>Net cash flows from financing activities</b>		<b>20 350 951</b>	<b>4 621 948</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(21 779 268)</b>	<b>(31 172 906)</b>
Cash and cash equivalents at the beginning of the year		44 322 592	75 495 498
<b>Cash and cash equivalents at the end of the year</b>	10	<b>22 543 324</b>	<b>44 322 592</b>



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

#### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	7 - 10 years
Infrastructure	
• Roads and paving	10 to 30 years
• Electricity	20 to 30 years
• Wastewater network	15 to 20 years
• Water network	15 to 20 years
Other vehicles	3 to 20 years

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Other equipment	5 to 10 years
Specialised plant and machinery	5 to 15 years
Other property, plant and equipment # 4	3 to 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.4 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

## Accounting Policies

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### 1.4 Financial instruments (continued)

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

## Accounting Policies

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### 1.4 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Derecognition

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

##### Financial liabilities

## Accounting Policies

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### 1.4 Financial instruments (continued)

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The lease assets are depreciated at appropriate rates as per the relevant policy.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

## Accounting Policies

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### 1.6 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality. The value of the Faan Meintjes Reserve stock is based on 100% of the current realisable value as at 30 June annually. Land development for re-sale within one year is classified as an inventory item. The value of the stands are calculated at : Councils resolution Rand per square metre or Municipal valuation.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.7 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Other post retirement obligations

The entity provides post-retirement health care benefit to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

### 1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

## Accounting Policies

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### 1.8 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

### 1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services



## Accounting Policies

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### 1.9 Revenue from exchange transactions (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.10 Revenue from non-exchange transactions (continued)

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

## Accounting Policies

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### 1.10 Revenue from non-exchange transactions (continued)

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.11 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes :

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the act.

### 1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

Irregular expenditure as defined in the MFMA means :

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

## Accounting Policies

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### 1.17 Irregular expenditure (continued)

- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act no. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.22 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

### 1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

### 1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

- Additional text

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.26 Retirement benefits

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees :

- Municipal Employees Gratuity Fund
- Pension Fund for Municipal Councillors
- National Fund for Municipal Workers
- SALA Pension Fund
- SAMWU Provident Fund
- Municipal Employees Pension Fund

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

### 1.27 Going concern

These annual financial statements have been prepared on a going concern basis.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 23: Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

##### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 21: Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 26: Impairment of cash-generating assets**

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.



## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 3. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	67 144 400	-	67 144 400	67 144 400	-	67 144 400

#### Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	67 144 400	67 144 400

#### Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	67 144 400	67 144 400

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	290 692 881	(38 394 255)	252 298 626	185 707 150	(36 026 433)	149 680 717
Infrastructure	2 413 179 784	(579 615 591)	1 833 564 193	2 768 523 375	(689 514 174)	2 079 009 201
Community	99 655 224	(31 492 475)	68 162 749	84 691 240	(28 804 295)	55 886 945
Heritage	1 691 809	(84 725)	1 607 084	1 570 537	(84 726)	1 485 811
Other property, plant and equipment # 4	303 298 343	(202 563 544)	100 734 799	277 533 828	(183 103 911)	94 429 917
<b>Total</b>	<b>3 108 518 041</b>	<b>(852 150 590)</b>	<b>2 256 367 451</b>	<b>3 318 026 130</b>	<b>(937 533 539)</b>	<b>2 380 492 591</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Work in progress	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Buildings	149 680 717	10 857 428	751 344	(5 021 636)	143 084 122	(42 677 670)	(4 375 679)	252 298 626
Infrastructure	2 079 009 201	94 435 344	64 223 972	(55 900 053)	-	(199 603 725)	(148 600 546)	1 833 564 193
Community	55 886 945	10 921 483	7 619 079	(3 576 576)	-	-	(2 688 182)	68 162 749
Heritage	1 485 811	121 273	-	-	-	-	-	1 607 084
Other property, plant and equipment	94 429 917	26 700 540	155 372	(917 660)	-	-	(19 633 370)	100 734 799
	<b>2 380 492 591</b>	<b>143 036 068</b>	<b>72 749 767</b>	<b>(65 415 925)</b>	<b>143 084 122</b>	<b>(242 281 395)</b>	<b>(175 297 777)</b>	<b>2 256 367 451</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Work in progress	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Buildings	135 161 240	13 487 978	5 021 636	-	-	-	(3 990 137)	149 680 717
Infrastructure	2 105 276 872	65 510 368	55 900 055	-	-	-	(147 678 094)	2 079 009 201
Community	52 899 158	2 033 477	3 576 576	-	-	-	(2 622 266)	55 886 945
Heritage	1 485 811	-	-	-	-	-	-	1 485 811
Other property, plant and equipment	72 890 494	37 080 143	917 660	-	-	-	(16 458 380)	94 429 917
	<b>2 367 713 575</b>	<b>118 111 966</b>	<b>65 415 927</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170 748 877)</b>	<b>2 380 492 591</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 5. Other financial assets

#### Held to maturity

Other financial assets	18 835 388	17 417 304
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#### Non-current assets

Held to maturity	18 835 388	17 417 304
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The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

#### List of investments held

Sanlam : Capital guaranteed fund - 040644725X0	5 458 953	5 145 308
Sanlam : Capital guaranteed fund - 040710409X0	365 721	345 076
Nedcor : FK183349	13 010 715	11 926 920
	<b>18 835 389</b>	<b>17 417 304</b>

The Nedcor investment is encumbered by a pledge of R 3 700 000 as disclosed in note 12.

### 6. Other receivables

An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies.

#### Loan to Klerksdorp Rolbalklub

Short term portion of loan	17 603	18 034
Long term portion of loan	256 153	275 428
	<b>273 756</b>	<b>293 462</b>

### 7. Inventories

Consumable stores	38 927 163	25 135 024
Water	2 031 823	2 554 669
Nature reserve - wildlife stock	3 186 803	3 329 214
Museum stores - at authorised value	155 586	102 036
Unsold properties held for resale at council resolution or municipal valuation	647 771	647 771
	<b>44 949 146</b>	<b>31 768 714</b>

### 8. Trade and other receivables from exchange transactions

Deposits	729 403	320 453
Receivables	4 051 810	3 234 672
Market	927 925	2 776 041
Housing (Internal loan)	11 000 000	11 000 000
Housing and housing rentals	1 410 048	21 017 295
Sundry debtors	45 570 073	102 878 854
Suspense accounts	(281 415)	3 699 367
Less : Provision for bad debts	(46 822 580)	(89 582 181)
	<b>16 585 264</b>	<b>55 344 501</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>9. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	86 127 829	175 375 500
Electricity	91 384 677	73 687 525
Water	162 735 359	157 030 835
Sewerage	50 106 732	67 207 029
Refuse	48 320 451	66 531 306
Other	212 166 881	262 246 547
	<b>650 841 929</b>	<b>802 078 742</b>
<b>Less: Provision for debt impairment</b>		
Rates	(68 220 426)	(150 860 106)
Electricity	(70 807 852)	(63 386 891)
Water	(128 899 981)	(135 079 805)
Sewerage	(39 680 989)	(57 812 291)
Refuse	(38 273 828)	(57 231 026)
Other	(169 537 066)	(240 388 543)
	<b>(515 420 142)</b>	<b>(704 758 662)</b>
<b>Net balance</b>		
Rates	17 907 403	24 515 394
Electricity	20 576 825	10 300 634
Water	33 835 378	21 951 030
Sewerage	10 425 743	9 394 738
Refuse	10 046 623	9 300 280
Other	42 629 815	21 858 004
	<b>135 421 787</b>	<b>97 320 080</b>
<b>Rates</b>		
Current (0 -30 days)	13 561 089	15 100 503
31 - 60 days	3 924 034	7 542 659
61 - 90 days	3 695 409	5 985 018
91 - 120 days	64 947 295	146 747 318
Provision for bad debts	(68 220 424)	(150 860 104)
	<b>17 907 403</b>	<b>24 515 394</b>
<b>Electricity</b>		
Current (0 -30 days)	24 989 420	19 692 256
31 - 60 days	3 872 539	4 405 926
61 - 90 days	5 006 186	3 204 176
91 - 120 days	55 526 290	46 385 165
Provision for bad debts	(68 817 610)	(63 386 889)
	<b>20 576 825</b>	<b>10 300 634</b>
<b>Water</b>		
Current (0 -30 days)	20 514 230	9 161 698
31 - 60 days	5 910 722	5 314 452
61 - 90 days	6 559 816	4 040 641
91 - 120 days	129 750 589	138 514 042
Provision for bad debts	(128 899 979)	(135 079 803)
	<b>33 835 378</b>	<b>21 951 030</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>9. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	4 289 410	3 942 531
31 - 60 days	1 870 732	1 729 094
61 - 90 days	1 581 283	1 330 969
91 - 120 days	42 365 305	60 204 434
Provision for bad debts	(39 680 987)	(57 812 290)
	<b>10 425 743</b>	<b>9 394 738</b>
<b>Refuse</b>		
Current (0 -30 days)	3 277 994	2 961 668
31 - 60 days	1 650 126	1 457 996
61 - 90 days	1 365 006	1 086 322
91 - 120 days	42 027 324	61 025 319
Provision for bad debts	(38 273 827)	(57 231 025)
	<b>10 046 623</b>	<b>9 300 280</b>
<b>Other</b>		
Current (0 -30 days)	12 014 134	9 255 818
31 - 60 days	5 939 321	6 057 582
61 - 90 days	7 879 378	5 150 613
91 - 120 days	186 334 046	241 782 532
Provision for bad debts	(169 537 064)	(240 388 541)
	<b>42 629 815</b>	<b>21 858 004</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	55 818 086	50 908 487
31 - 60 days	20 130 453	23 348 802
61 - 90 days	22 303 667	18 465 527
91 - 120 days	469 088 101	637 205 687
	<b>567 340 307</b>	<b>729 928 503</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	10 792 642	7 334 075
31 - 60 days	2 425 082	2 545 217
61 - 90 days	2 482 603	1 891 221
91 - 120 days	41 541 151	52 919 339
	<b>57 241 478</b>	<b>64 689 852</b>
<b>National and provincial government</b>		
Current (0 -30 days)	12 035 551	1 871 912
31 - 60 days	611 940	613 690
61 - 90 days	1 300 810	440 991
91 - 120 days	10 327 599	4 533 784
	<b>24 275 900</b>	<b>7 460 377</b>



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>9. Consumer debtors (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	78 646 280	60 114 484
31 - 60 days	23 167 476	26 507 709
61 - 90 days	26 087 082	20 797 739
91 - 120 days	520 950 853	694 658 810
	648 851 691	802 078 742
Less: Provision for debt impairment	(513 429 904)	(704 758 662)
	<b>135 421 787</b>	<b>97 320 080</b>
<b>Less: Provision for debt impairment</b>		
Balance at the beginning of the year	(689 957 742)	(500 348 380)
Contribution to provision	(265 951 929)	(206 365 971)
Debt impairment written of against provision	440 489 529	1 955 689
	<b>(515 420 142)</b>	<b>(704 758 662)</b>

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	63 500	60 500
Bank balances	162 954	2 333 787
Short-term deposits	22 193 130	73 181 026
Other cash and cash equivalents	123 740	123 740
Bank overdraft	-	(31 376 461)
	<b>22 543 324</b>	<b>44 322 592</b>
Current assets	22 543 324	75 699 053
Current liabilities	-	(31 376 461)
	<b>22 543 324</b>	<b>44 322 592</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA Bank - cheque account - 4060008684	-	1 273 492	717 576	-	391 292	488 509
ABSA Bank - cheque account - 01000100176	2 863 230	(4 673 377)	26 787 113	739 249	(29 922 418)	(7 568 490)
ABSA Bank - cheque account - 950164379 (Council water)	326 744	2 011 587	1 962 116	109 901	1 942 496	1 888 824
ABSA Bank - cheque account - 950000090 (Market)	1 663 573	847 156	1 777 236	(686 197)	(1 454 043)	(1 750 836)
ABSA Bank - cheque account - 4059133084 (Mayor's golf day)	-	-	174	-	-	(2 413)
ABSA Bank - call account - 4071085841 (Housing)	123 740	123 740	10 068 070	123 740	123 740	10 068 070
<b>Total</b>	<b>4 977 287</b>	<b>(417 402)</b>	<b>41 312 285</b>	<b>286 693</b>	<b>(28 918 933)</b>	<b>3 123 664</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 11. Housing development fund

Unappropriate surplus	5 125 928	5 125 928
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**The housing development fund is represented by the following assets and liabilities :**

Bank and cash	5 125 928	5 125 928
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### 12. Other financial liabilities

#### Held at amortised cost

Annuity loans	163 940 141	144 442 584
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Refer to appendix A for more detail on long-term liabilities.

#### Non-current liabilities

At amortised cost	147 569 522	132 964 152
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#### Current liabilities

At amortised cost	16 370 619	11 478 432
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**163 940 141      144 442 584**

An amount of R 3 700 000, covered by the Nedcor Investment FK183349, was pledged as security for loan NW1374/2 at DBSA.

### 13. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

#### Unspent conditional grants and receipts

MIG	10 710 431	8 106 413
National Electricity Regulator	345 490	3 839 051
FMG	974 052	827 673
DWAF	276 464	276 464
MSIG	262 344	545 480
EPWP	1 955 700	250 700
Fire Grant	105 688	2 686 000
Library grant	590 605	1 022 120
	<b>15 220 774</b>	<b>17 553 901</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 14. Provisions

#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	27 401 597	2 724 927	30 126 524
Continuous medical aid contribution	96 430 272	28 839 177	125 269 449
Section 57 managers bonuses	791 326	29 279	820 605
Long service awards	129 008 375	14 319 670	143 328 045
	<b>253 631 570</b>	<b>45 913 053</b>	<b>299 544 623</b>

#### Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Environmental rehabilitation	24 839 765	2 561 832	27 401 597
Continuous medical aid contribution	74 230 369	22 199 903	96 430 272
Section 57 managers bonuses	712 193	79 133	791 326
Long service awards	116 119 359	12 889 016	129 008 375
	<b>215 901 686</b>	<b>37 729 884</b>	<b>253 631 570</b>

### 15. Trade and other payables from exchange transactions

Trade payables	59 440 983	1 213 905
Payments received in advanced - contract in process	66 699 469	38 424 351
Accrued leave pay	41 747 047	32 442 983
Other creditors	91 698 639	31 815 404
Housing : Absa bank account	123 740	123 740
	<b>259 709 878</b>	<b>104 020 383</b>

### 16. VAT payable

Tax refunds payables	31 021 571	30 941 015
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### 17. Consumer deposits

Electricity and water	21 506 788	20 653 394
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#### Gaurentees held :

In lieu of debtors for the Fresh Produce Market	400 000	400 000
In lieu of electricity and water deposits	1 926 198	1 926 198
	<b>2 326 198</b>	<b>2 326 198</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>18. Revenue</b>		
Rendering of services	48 351	(260 406)
Property rates	181 286 149	191 285 747
Service charges	582 695 319	513 206 881
Levies	2 269 838	2 188 442
Rental of facilities & equipment	5 634 976	7 025 755
Fines	8 387 312	6 220 373
Licences and permits	3 823 203	2 542 563
Government grants & subsidies	350 041 177	302 277 524
Market dues	11 379 191	10 890 251
Miscellaneous other revenue	400 657	112 541
	<b>1 145 966 173</b>	<b>1 035 489 671</b>

### The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	48 351	(260 406)
Service charges	582 695 319	513 206 881
Rental of facilities & equipment	5 634 976	7 025 755
Licences and permits	3 823 203	2 542 563
Miscellaneous other revenue	400 657	112 541
	<b>592 602 506</b>	<b>522 627 334</b>

### The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	181 286 149	191 285 747
Fines	8 387 312	6 220 373

#### Transfer revenue

Government grants & subsidies	350 041 177	302 277 524
Levies	2 269 838	2 188 442
Market dues	11 379 191	10 890 251

**553 363 667 512 862 337**

## 19. Property rates

### Rates received

Residential	157 865 220	157 236 317
State	11 331 246	14 860 867
Indigent	12 051 628	19 150 462
Sundry debtors	38 055	38 101
	<b>181 286 149</b>	<b>191 285 747</b>

### Valuations

Residential	29 399 639	29 399 639
State	481 872	481 872
Municipal and farms	1 262 138	1 262 138
Agricultural	182 908	182 908
	<b>31 326 557</b>	<b>31 326 557</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. The valuations were done by DDP Valuers on behalf of the Municipality.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>20. Service charges</b>		
Sale of electricity	390 520 615	358 298 674
Sale of water	150 065 275	113 578 053
Sewerage and sanitation charges	2 206 509	3 940 213
Refuse removal	39 902 920	37 389 941
	<b>582 695 319</b>	<b>513 206 881</b>

## 21. Government grants and subsidies

Equitable share	283 801 049	226 271 000
MIG	57 847 983	69 913 349
NERSA	3 493 561	3 306 440
FMG	853 621	388 772
DWAF	-	1 223 536
MSIG	1 033 136	51 304
Fire grant	2 580 312	814 000
Library grant	431 515	309 123
	<b>350 041 177</b>	<b>302 277 524</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 179 (2010: R 163), which is funded from the grant.

### MIG

Balance unspent at beginning of year	8 106 413	3 651 077
Current-year receipts	60 452 000	84 623 537
Conditions met - transferred to revenue	(57 847 982)	(80 168 201)
	<b>10 710 431</b>	<b>8 106 413</b>

Conditions still to be met - remain liabilities (see note 13)

### NERSA

Balance unspent at beginning of year	3 839 051	345 490
Current-year receipts	-	6 800 000
Conditions met - transferred to revenue	(3 493 561)	(3 306 439)
	<b>345 490</b>	<b>3 839 051</b>

Conditions still to be met - remain liabilities (see note 13)

### FMG

Balance unspent at beginning of year	827 673	466 445
Current-year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(853 621)	(388 772)
	<b>974 052</b>	<b>827 673</b>

Conditions still to be met - remain liabilities (see note 13)

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>21. Government grants and subsidies (continued)</b>		
<b>DWAF</b>		
Balance unspent at beginning of year	276 464	1 500 000
Conditions met - transferred to revenue	-	(1 223 536)
	<b>276 464</b>	<b>276 464</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>MSIG</b>		
Balance unspent at beginning of year	545 480	196 784
Current-year receipts	750 000	400 000
Conditions met - transferred to revenue	(1 033 136)	(51 304)
	<b>262 344</b>	<b>545 480</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>EPWP</b>		
Balance unspent at beginning of year	250 700	-
Current-year receipts	1 705 000	250 700
	<b>1 955 700</b>	<b>250 700</b>
Conditions still to be met - remain liabilities (see note 13)		
Provide explanations of conditions still to be met and other relevant information		
<b>Fire</b>		
Balance unspent at beginning of year	2 686 000	-
Current-year receipts	-	3 500 000
Conditions met - transferred to revenue	(2 580 312)	(814 000)
	<b>105 688</b>	<b>2 686 000</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Library</b>		
Balance unspent at beginning of year	1 022 120	881 243
Current-year receipts	-	450 000
Conditions met - transferred to revenue	(431 515)	(309 123)
	<b>590 605</b>	<b>1 022 120</b>
Conditions still to be met - remain liabilities (see note 13).		

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>22. General expenses</b>		
Advertising	4 377 998	1 501 180
Assessment rates & municipal charges	2 534 327	2 397 660
Auditors remuneration	5 848 128	1 769 045
Bank charges	5 091 836	4 627 540
Cleaning	-	2 116
Commission paid	3 749 516	2 534 877
Consulting and professional fees	17 495 636	9 922 828
Consumables	2 335 984	2 434 205
Discount allowed	5 272 001	446 421
Entertainment	1 106 589	852 803
Fines and penalties	346 250	375 850
Animal Costs	5 481	4 879
Gifts	32 733	47 576
Hire	2 247 466	1 757 507
Insurance	5 523 385	2 334 542
Community development and training	4 921 135	274 323
Conferences and seminars	1 145 852	664 065
Lease rentals on operating lease	4 394 758	3 148 500
Marketing	5 354 294	7 252 269
Promotions and sponsorships	234 020	-
Magazines, books and periodicals	293 308	224 841
Medical expenses	131 244	-
Motor vehicle expenses	33 441 230	30 551 132
Pest control	142 032	165 415
Postage and courier	2 908 136	2 549 716
Printing and stationery	3 794 741	3 411 499
Promotions	998 814	-
Research and development costs	153 660	136 550
Royalties and license fees	30 621	-
Security (Guarding of municipal property)	6 562 675	4 247 052
Staff welfare	5 856	49 497
Subscriptions and membership fees	4 492	-
Telephone and fax	5 819 415	5 380 675
Transport and freight	82 258	51 409
Training	2 711 262	1 754 730
Travel - local	115 271	-
Refuse	2 841 008	1 649 198
Title deed search fees	248 825	180 041
Electricity	981 287	934 301
Other miscellaneous	85 712 209	91 170 646
Billing charges	931 459	418 269
Chemicals	1 098 659	1 076 177
	<b>221 025 851</b>	<b>186 299 334</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>23. Employee related costs</b>		
Basic	222 937 651	186 403 321
Medical aid - company contributions	54 191 040	41 032 907
UIF	2 177 392	1 818 486
WCA	-	5 644 248
Other payroll levies	2 592 777	2 139 972
Leave pay provision charge	9 304 064	8 225 298
Travel, motor car, accommodation, subsistence and other allowances	4 568 520	5 127 263
Overtime payments	19 426 016	16 248 904
Long-service awards	14 348 950	12 968 149
13th Cheques	17 488 480	14 090 300
Housing benefits and allowances	1 485 245	1 663 111
Group insurance	716 142	627 467
Pension fund	46 479 816	38 157 852
Redemption of leave	2 056 470	5 457 541
Other payments	3 394 094	2 625 896
	<b>401 166 657</b>	<b>342 230 715</b>

### Remuneration of municipal manager

Annual remuneration	1 067 423	1 029 338
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### Remuneration of chief finance officer

Annual remuneration	855 610	825 081
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### Director municipal & social services : Section 57 appointment

Annual remuneration	855 610	825 081
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### Director corporate services & governance : Section 57 appointment

Annual remuneration	845 079	814 926
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### Director economic development & procurement: Section 57 appointment

Annual remuneration	789 793	761 613
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### Manager : Support services

Annual remuneration	592 345	571 210
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### Director infrastructure & utilities: Section 57 appointment

Annual remuneration	855 610	825 081
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## 24. Remuneration of councillors

Executive Major	661 076	610 535
Mayoral Committee Members	5 228 909	4 313 164
Speaker	515 270	478 140
Councillors	10 342 560	9 060 872
	<b>16 747 815</b>	<b>14 462 711</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of a Council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguard\driver.



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>25. Debt impairment</b>		
Contributions to debt impairment provision	(218 763 962)	208 466 144
Debts impaired	440 489 529	-
	<b>221 725 567</b>	<b>208 466 144</b>
<b>26. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	2 192 524	3 136 054
Interest charged on trade and other receivables	51 134 307	44 396 098
Interest on investments	5 398 263	10 679 013
	<b>58 725 094</b>	<b>58 211 165</b>
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	175 297 775	170 748 877
<b>28. Finance costs</b>		
Non-current borrowings	19 460 557	19 512 295
Electricity and water are supplied by Eskom and Midvaal Water Company. Residence of Hartbeesfontein are supplied with water purchased from a private individual.		
<b>29. Auditors' remuneration</b>		
Fees	5 848 128	1 769 045
<b>30. Contracted services</b>		
Other Contractors	36 892 302	21 380 156
<b>31. Bulk purchases</b>		
Electricity	275 834 974	214 931 280
Water	130 009 916	112 492 492
	<b>405 844 890</b>	<b>327 423 772</b>

Electricity and water are supplied by Eskom and Midvaal Water Company. Residence of Hartbeesfontein are supplied with water purchased from a private individual.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>32. Cash generated from operations</b>		
Deficit	(139 902 738)	(80 308 652)
<b>Adjustments for:</b>		
Depreciation and amortisation	175 297 775	170 748 877
Impairment	(13 326 640)	14 800 920
Debt impairment	221 725 567	208 466 144
Movements in provisions	45 913 053	241 245 403
Other non-cash items and prior year adjustments	(268 894 125)	(541 648 122)
<b>Changes in working capital:</b>		
Inventories	(13 180 432)	5 351 010
Trade and other receivables from exchange transactions	52 085 877	9 698 038
Consumer debtors	(38 101 276)	13 075 672
Trade and other payables from exchange transactions	155 689 504	56 928 908
VAT	80 556	14 497 504
Unspent conditional grants and receipts	(2 333 127)	31 650 568
	<b>175 053 994</b>	<b>144 506 270</b>

### 33. Commitments

#### Authorised capital expenditure

##### Approved and contracted for

• Infrastructure	108 551 822	109 866 590
• Community	8 037 433	6 224 650
• Other	5 593 059	10 589 380

##### Approved but not yet contracted for

• Infrastructure	-	76 047
• Community	-	46 968
• Heritage	-	121 273
• Other	-	16 104 161
	<b>122 182 314</b>	<b>143 029 069</b>

#### This expenditure will be financed from :

• External loans	84 312 436	17 083 070
• Government grants	4 000 000	66 461 490
• Own resources	33 869 878	43 143 060
	<b>122 182 314</b>	<b>126 687 620</b>

The approved capital expenditure is not shown as committed in 2011 due to the turn-around strategy to improve the liquidity of the municipality.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	5 036 321	3 474 932
- in second to fifth year inclusive	3 236 712	3 662 788
	<b>8 273 033</b>	<b>7 137 720</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties, vehicles and office equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>34. Contingencies</b>		
<b>Contingent assets</b>		
Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 41, civil proceedings have commenced against the employees concerned to recover an amount of R -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.		
<b>City of Matlosana / Toro ya Africa Consultants (Pty) Ltd</b>		
Council instituted claims against the defendant for non performance on housing projects in Jouberton and Alabama.	223 000 000	223 000 000
<b>City of Matlosana / Kgasu Engineering (Pty) Ltd</b>		
Council instituted action based on fraudulent representation and incorrect tariffs overpaid to the defendant.	1 235 775	1 235 775
<b>City of Matlosana / Cybed Trading 0005CC</b>		
Legal action instituted by Council against defendant for arrear debt.	12 000	12 000
<b>City of Matlosana / J Fouche</b>		
Matter proceeds on an opposed basis regarding compliance with regulations.	-	50 000
<b>City of Matlosana / G Wessie</b>		
Claim by council against a former employee for equipment not yet returned.	2 300	2 300
<b>City of Matlosana / ZCM Britz</b>		
The Council is claiming from defendant for loss of income. Further investigations are in progress.	61 686	61 686
<b>City of Matlosana / KOSH Contractors</b>		
Council instituted claims against the contractor for construction of houses which were condemned.	6 000 000	6 000 000
<b>City of Matlosana / Lets Trade</b>		
Council instituted claims against the contractor for construction of houses which were condemned.	10 000 000	10 000 000
<b>City of Matlosana / Raliform Investments (Pty) Ltd</b>		
Council instituted claims against the contractor for construction of houses which were condemned.	156 000 000	156 000 000
<b>City of Matlosana / Metroprojects &amp; Lapa Administration &amp; Another</b>		
Council instituted claims against the service provider for non performance.	-	600 000
<b>City of Matlosana / St Pauls Insurance Company</b>		
A claim by Council for the payment of suretyship and guarantees for work not completed by DGD Construction in Kanana. This matter has been consolidated with the matter above and a settlement agreement has been reached.	1 700 000	2 200 000

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 35. Related parties

#### Relationships

Councillor Douw J	Midvaal Water Company
Councillor Makhale S	Midvaal Water Company
Councillor Mapane MJ	Midvaal Water Company
Councillor Nakedi SL	Midvaal Water Company
Councillor Sebuasengwe GL	Midvaal Water Company
Councillor Thabanchu OR ( Speaker )	Midvaal Water Company
Councillor Bondes I	ZMS Management Solutions (Pty) Ltd
Councillor Dithejane MC	Lerato Botho Building Electrical Construction CC

Councillors are members of the board of directors of the Midvaal Water Company ( a section 21 company ) who supply bulk water to the City of Matlosana. The transactions are at arm's length and total expenditure is disclosed in note 31.

Councillor Bondes and councillor Bester was related parties to ZMS Management Solutions (Pty) Ltd which supplies debt collection services to the City of Matlosana. ZMS was awarded the work through tender process and expenditure for the year under review amounts to R 4 187 613 (2010 : R 4 311 155)

Councillor Dithejane is a member of Lerato Botho Building Electrical Construction CC which provides construction services that is awarded through the tender process. Expenditure for the current year is R 575 181 ( 2010 : R 7 867 210 )

### 36. Comparative figures

Certain comparative figures have been reclassified.

1. Short term deposits previously shown as other financial assets now disclosed as cash and cash equivalents.
2. Money of Housing held in bank account in trust is now reflected as such.
3. Leave accruals previously shown as provisions now shown as accruals.
4. Trade and other receivables now classified as current trade liabilities
5. Trade and other receivables now shown as other creditors
6. Rebates on property rates now paired with the income component.
7. Free basic services for electricity, water, sewerage and sanitation and refuse removal are now classified paired against their corresponding income vote.
8. Levies received is now shown separately.
9. Certain payroll expenses was previously shown as general expenses
10. Finance cost previously grouped with general expense now shown separately.
11. Motor vehicle expenses now shown separately from repairs and maintenance
12. Security expenses now shown separately
13. Various changes on income statement for better disclosure.

The effects of the reclassification are as follows:

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>36. Comparative figures (continued)</b>		
<b>Statement of financial position</b>		
1. Other financial assets	-	(73 181 026)
1. Cash and cash equivalents	-	73 181 026
2. Cash and cash equivalents	-	123 740
2. Trade and other payables	-	(123 740)
3. Provisions	-	19 080 803
3. Trade and other payables	-	(19 080 803)
4. Trade and other receivables	-	(84 340)
4. Current trade liabilities	-	84 340
5. Trade and other receivables	-	(3 532 587)
5. Other creditors	-	3 532 587
<b>Statement of Financial Performance</b>		
6. Property rates	-	30 905 424
6. General expenses	-	(30 905 424)
7. Sale of electricity	-	3 970 537
7. Sale of water	-	16 721 502
7. Sewerage and sanitation	-	21 361 181
7. Refuse removal	-	26 125 596
7. General expenses	-	(68 179 016)
8. Levies	-	(2 188 442)
8. Other non material income	-	2 188 442
9. Salaries	-	466 054
9. General expenses	-	(466 054)
9. Other Payroll levies	-	2 139 972
9. General Expenses	-	(2 139 972)
9. Leave pay provision	-	3 187 340
9. General expenses	-	(3 187 340)
10. Finance cost	-	4 154 335
10. General expense	-	(4 154 335)
11. Repairs and maintenance	-	(10 750 145)
11. Motor vehicle expenses	-	10 750 145
12. Contracted services	-	(9 297 452)
12. Security expenses	-	9 297 452
12. Seta training	-	2 456 218
12. Other non material income	-	29 231 053
12. Fee parking	-	193 597
12. Fees ripe and cool	-	299 821
12. Fees burial	-	850 063
12. Connections	-	959 665
12. Revaluation of shares	-	13 530
12. Recoveries	-	(874 229)
12. Reconnections	-	(19 378 611)
12. Other Income	-	(11 447 806)
12. Stock adjustment	-	222 800
12. Insurance claims - Other expenses	-	(832 934)
12. Reconnections	-	495 278

### 37. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 12, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 37. Risk management (continued)

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 10% to 35%.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2011 and 2010 respectively were as follows:

<b>Total borrowings</b>			
Current Liabilities		643 374 253	469 655 156
Non-current liabilities		147 569 522	132 964 152
		<b>790 943 775</b>	<b>602 619 308</b>
Less: Cash and cash equivalents	10	22 543 324	(28 982 174)
Net debt		768 400 451	631 601 482
Total equity		1 771 176 741	2 520 864 111
<b>Total capital</b>		<b>2 539 577 192</b>	<b>3 152 465 593</b>

### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in Rand.

### Cash flow interest rate risk

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 37. Risk management (continued)

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	15,00 %	153 498 934	-	-	-	-
Trade and other receivables - normal credit terms	- %	-	18 835 389	-	-	-

#### Fair value interest rate risk

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2011	2010
Long term receivables	16 585 264	55 344 501
Consumer debtors	136 896 067	112 121 000
Other receivables	17 603	18 034
Cash and cash equivalents	22 543 324	44 322 592

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in note 12.

### 38. Going concern

We draw attention to the fact that although the municipality reported a deficit of R139 902 738 at 30 June 2011, the municipality had accumulated surplus of R 1 766 050 813 and that the municipality's total assets exceed its liabilities by R 1 771 176 741.

The municipality reviews cash flow forecast on a continuous basis and has implemented a turn-around plan to improve cash coverage and liquidity.

	2011	2010	2009.
Cash coverage days(days cash on hand)	7.2	2.2	22.7.
Liquidity ratio	34.3%	58.5%	272.6%
Acid test ratio	27.4%	51.8%	240.2%

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 39. Events after the reporting date

After local government elections in May 2011, a new mayoral committee was formed comprising of the following persons :

- MK Khauoe ( Executive Mayor )
- ME Kgaile ( Councillor )

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 39. Events after the reporting date (continued)

- PR Poee ( Councillor )
- GC Mbobo ( Councillor )
- LV Rothman ( Councillor )
- ME Mtimkulu ( Councillor )
- RA Matsepe ( Councillor )
- MMS Lee ( Councillor )
- NS Mandela ( Councillor )
- GR Kgosi ( Councillor )
- ML Mothibedi ( Councillor )

### 40. Unauthorised expenditure

#### Reconciliation of unauthorised expenditure

Opening balance	1 463 482	34 995
Unauthorised expenditure current year	-	329 576 181
Approved by council or condoned	-	(328 147 695)
<b>Unauthorised expenditure awaiting authorisation</b>	<b>1 463 482</b>	<b>1 463 481</b>

Unbudgeted expenditure : Over expenditure against budget resulted from additional depreciation charges after fair value adjustments were made to infra-structure assets, as well as additional provisions made for impairment of consumer debtors. This was condoned by Council during the reporting period.

Un-authorised expenditure : Expenses relating to various sponsorships & donations amounting to R1 428 487 are currently being investigated for compliance with Council's mandate and approval.

### 41. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	583 225	-
Fruitless and wasteful expenditure current year	1 080 068	583 225
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>1 663 293</b>	<b>583 225</b>

The Municipality incurred interest as a result of late payment of the Eskom account for bulk electricity purchases. Fines and penalties was also incurred for late submissions and other incidents of non-compliance.

### 42. Irregular expenditure

#### Reconciliation of irregular expenditure

Opening balance	178 984 279	-
Add: Irregular Expenditure - current year	-	178 984 279
<b>Irregular expenditure awaiting condonement</b>	<b>178 984 279</b>	<b>178 984 279</b>

Various expenditure items were identified during the 2010 audit for which adequate supporting evidence could not be provided as proof that all Supply Chain Management Procedures were followed. These matters are currently being investigated and appropriate procedures as required by the MFMA will be implemented based on the findings of the investigations.

### 43. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Opening balance	2 396 066	1 769 045
Current year subscription / fee	3 452 062	2 396 066
Amount paid - current year	(3 452 062)	-
Amount paid - previous years	(2 396 066)	(1 769 045)
	<b>-</b>	<b>2 396 066</b>



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>43. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Current year subscription / fee	28 649 715	23 099 509
Amount paid - current year	(28 649 715)	(23 099 509)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	64 758 245	66 529 098
Amount paid - current year	(64 758 245)	(66 529 098)
	-	-
<b>VAT</b>		
VAT payable	31 021 571	30 941 015

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

### 43. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor OR Thabanchu	98	866	964
Councillor BH Ntsangani	337	124	461
Councillor J Douw	-	72	72
Councillor AM Mapane	25	111	136
Councillor RA Marumole	51	331	382
Councillor RP Moleme	86	111	197
Councillor EN Ngalo	88	905	993
Councillor PR Poee	144	144	288
Councillor GL Sebuasengwe	36	-	36
Councillor LL Appels	50	490	540
Councillor CJ Bester	-	425	425
Councillor I Bondes	-	134	134
Councillor SF Botes	-	1 290	1 290
Councillor MC Dithejane	17	262	279
Councillor ME Flathele	57	790	847
Councillor EG Hart	409	3 806	4 215
Councillor GR Kgosi	805	123	928
Councillor LM Kortjas	366	1 427	1 793
Councillor NL Landela	185	143	328
Councillor JJ Le Grange	316	721	1 037
Councillor MMS Lee	81	793	874
Councillor WJJ Louwrens	-	1 598	1 598
Councillor NM Mafuya	-	108	108
Councillor SL Makhale	-	124	124
Councillor GN Maleta	12	199	211
Councillor RA Matsepe	-	1 316	1 316
Councillor CG Mbobo	-	108	108
Councillor GJ Mohale	-	166	166
Councillor PL Mohoase	-	240	240
Councillor EM Mojela	178	448	626
Councillor GH Moleme	-	493	493
Councillor SD Montoedi	68	92	160
Councillor LM Mothibedi	-	110	110
Councillor SL Nakedi	-	141	141
Councillor EPJ Nel	904	2 064	2 968
Councillor GS Nkebe	-	31 367	31 367
Councillor NP Nyaqela	-	11	11
Councillor ST Pitso	109	122	231
Councillor TS Rammutle	-	132	132
Councillor KL Ross	-	681	681
Councillor LV Rothman	1 022	377	1 399
Councillor JM Sebata	-	291	291
Councillor PM Seduku	351	1 687	2 038
Councillor RK Sello	-	190	190
Councillor MP Sethunye	-	121	121
Councillor NW Setuntsa	-	24 055	24 055
Councillor MS Sishuba	141	575	716
Councillor GK Tladi	233	196	429
Councillor MAJ Tolomo	-	148	148
Councillor TZ Tshoniswa	356	135	491
Councillor R van Jaarsveld	433	1 074	1 507

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010	
<b>43. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
Councillor LDJ vd Westhuizen	416	849	
	<b>7 374</b>	<b>82 286</b>	
		<b>89 660</b>	
<b>30 June 2010</b>			
	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Councillor OR Thabanchu	603	560	1 163
Councillor BH Ntsangani	-	208	208
Councillor OM Mogale	1 337	8 418	9 755
Councillor J Douw	532	203	735
Councillor AM Mapane	-	219	219
Councillor RA Marumole	55	208	263
Councillor RP Moleme	-	208	208
Councillor EN Ngalo	81	834	915
Councillor PR Poee	33	460	493
Councillor GL Sebuasengwe	-	173	173
Councillor LL Appels	216	1 019	1 235
Councillor CJ Bester	85	267	352
Councillor I Bondes	11	208	219
Councillor SF Botes	-	896	896
Councillor M Coetzee	-	58	58
Councillor MC Dithejane	55	208	263
Councillor ME Flathele	-	1 306	1 306
Councillor EG Hart	902	4 231	5 133
Councillor GR Kgosi	-	208	208
Councillor LM Kortjas	-	742	742
Councillor NL Landela	-	219	219
Councillor JJ Le Grange	354	446	800
Councillor MMS Lee	-	715	715
Councillor WJJ Louwrens	77	1 440	1 517
Councillor NM Mafuya	102	361	463
Councillor SL Makhale	-	141	141
Councillor GN Maleta	11	285	296
Councillor RA Matsepe	858	15 359	16 217
Councillor CG Mbobo	-	208	208
Councillor P Moeng	-	270	270
Councillor GJ Mohale	-	2	2
Councillor PL Mohoase	-	208	208
Councillor EM Mojela	114	362	476
Councillor GH Moleme	730	499	1 229
Councillor SD Montoedi	90	90	180
Councillor LM Mothibedi	-	193	193
Councillor SL Nakedi	-	145	145
Councillor EPJ Nel	3 670	-	3 670
Councillor GS Nkebe	895	31 005	31 900
Councillor TJ Ntusi	-	9	9
Councillor NP Nyaqela	124	2 232	2 356
Councillor ST Pitso	100	208	308
Councillor TS Rammutle	55	208	263
Councillor KL Ross	233	588	821
Councillor LV Rothman	140	811	951
Councillor JM Sebata	527	461	988
Councillor PM Seduku	208	208	416
Councillor RK Sello	145	241	386
Councillor MP Sethunua	-	208	208
Councillor NW Setuntsa	980	23 993	24 973
Councillor MS Sishuba	222	299	521
Councillor SP Terblanche	-	910	910

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>43. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Councillor GF Tladi	-	196
Councillor MAJ Tolomo	-	208
Councillor TZ Tshoniswa	55	122
Councillor R van Jaarsveld	1 340	-
Councillor LDJ vd Westhuizen	-	904
	<b>14 940</b>	<b>104 388</b>
		<b>119 328</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

### 30 June 2011

	Highest outstanding amount 2011	Highest outstanding amount 2010
Councillor OR Thabanchu	2 488	4 542
Councillor BH Ntsangani	770	493
Councillor OM Mogale	15 251	9 754
Councillor J Douw	2 710	4 920
Councillor AM Mapane	198	285
Councillor RA Marumole	446	1 220
Councillor RP Moleme	208	256
Councillor EN Ngalo	1 056	2 405
Councillor PR Poee	371	538
Councillor GL Sebuasengwe	867	581
Councillor LL Appels	833	1 477
Councillor CJ Bester	904	654
Councillor I Bondes	256	313
Councillor SF Botes	1 680	2 179
Councillor M Coetzee	1 390	964
Councillor MC Dithejane	287	318
Councillor ME Flathele	1 059	4 737
Councillor EG Hart	6 372	5 133
Councillor GR Kgosi	981	285
Councillor LM Kortjas	1 793	1 256
Councillor NL Landela	328	526
Councillor JJ Le Grange	1 584	1 600
Councillor MMS Lee	873	2 855
Councillor WJJ Louwrens	2 298	5 453
Councillor NM Mafuya	496	528
Councillor SL Makhale	198	314
Councillor GN Maleta	285	311
Councillor RA Matsepe	18 053	16 217
Councillor CG Mbobo	1 320	308
Councillor P Moeng	494	1 258
Councillor GJ Mohale	190	387
Councillor PL Mohoase	315	471
Councillor EM Mojela	671	1 226
Councillor GH Moleme	1 831	3 298
Councillor SD Montoedi	184	190
Councillor LM Mothibedi	282	285
Councillor SL Nakedi	178	186
Councillor EPJ Nel	8 590	4 203
Councillor GS Nkebe	49 438	31 900
Councillor TJ Ntusi	397	407
Councillor NP Nyagela	3 917	2 426
Councillor ST Pitso	400	608
Councillor TS Rammutle	418	318
Councillor KL Ross	3 713	1 586
Councillor LV Rothman	1 399	951
Councillor JM Sebata	781	1 081
Councillor PM Seduku	2 190	417

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>43. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Councillor RK Sello	202	567
Councillor MP Sethunya	207	361
Councillor NW Setuntsa	35 650	24 973
Councillor MS Sishuba	1 040	601
Councillor SP Terblanche	3 193	2 420
Councillor GK Tladi	429	547
Councillor MAJ Tolomo	320	448
Councillor TZ Tshoniswa	491	199
Councillor R van Jaarsveld	2 085	1 340
Councillor LDJ vd Westhuizen	2 294	992
	<b>186 654</b>	<b>154 068</b>

### 44. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	163 940 141	144 442 584
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 45. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Major categories of expenses dispensed with :	< R30 000	> R30 000	Other	Total 2011
Advertising, marketing & promotional expenses	182 939	230 380	165 569	578 888
Consulting & specialist contracted services	226 033	-	1 096 500	1 322 533
Conferences & public participation events	651 124	198 500	-	849 624
Hiring of equipment	80 644	-	-	80 644
Purchase of goods, incl. inventory	534 979	478 635	-	1 013 614
Repairs & maintenance, incl. emergencies	2 311 602	-	1 666 082	3 977 684
	<b>3 987 321</b>	<b>907 515</b>	<b>2 928 151</b>	<b>7 822 987</b>

Major categories of expenses dispensed with :	< R30 000	> R30 000	Other	Total 2010
Advertising, marketing & promotional expenses	-	86 525	-	86 525
Consulting & specialist contracted services	-	702 565	29 105 737	29 808 302
Conferences & public participation events	40 000	449 981	1 316 543	1 806 524
Hiring of equipment	-	1 419 840	-	1 419 840
Purchase of goods, incl. inventory	41 130	453 447	16 129 632	16 624 209
Repairs & maintenance, incl. emergencies	49 621	775 930	4 226 826	5 052 377
Construction & infrastructure projects	-	-	95 962 715	95 962 715
	<b>130 751</b>	<b>3 888 288</b>	<b>146 741 453</b>	<b>150 760 492</b>

\* Other include deviations from SCM Regulations in order to extend an appointment, appoint a sole supplier, emergency, or appointments with high down-stream impact.

The 2010 amounts were restated to include items that were identified during the audit that are currently subject to investigation. These items are also included under irregular expenditure pending the outcome of investigations.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>46. Contingent liabilities</b>		
<b>Guarantee in favour of Telkom</b>		
A general guarantee, ref LDP 179200040, is held by ABSA in favour of Telkom	22 860	22 860
<b>Guarantee in favour of ESKOM</b>		
A guarantee, ref LDP 45881001101, is held by ABSA in favour of Eskom and is secured by account 01000100176.	18 187 200	18 187 200
	<b>18 210 060</b>	<b>18 210 060</b>
<b>North West Security Services t/a Cetronic Security Services / City of Matlosana</b>		
A contract was cancelled with Cetronic Services. The claim against council is for services delivered after cancellation date.	91 000	91 000
<b>Theron Jordaan &amp; Smit / City of Matlosana</b>		
This was an application by the claimant, a firm of attorneys, to be reinstated on the panel by council. There is also a counter action by council for files retained by the firm.	21 084	21 084
<b>Francis Behr / City of Matlosana</b>		
Mr. Behr claimed against the Council for not transferring Erf 3141 Orkney Extension 2 into his name as he paid an amount of R 13 500.	13 500	13 500
<b>S Pillay / City of Matlosana</b>		
Me. Shalin Pillay instituted legal action Council for damages suffered.	240 000	240 000
<b>Minister Of Safety &amp; Security / City of Matlosana</b>		
A summon was brought against the Council by the Minister of Safety & Security, claiming money from the Council for a motor vehicle accident.	-	5 264
<b>Betty Manisa / City of Matlosana</b>		
Me. Betty Manisa claim from Council for services rendered during 2007.	-	22 200
<b>ME Motuang / City of Matlosana</b>		
ME Motuang had summons issued and served for personal injury. The plaintiff apparently stepped into an open manhole and was injured and incurred damages as a result of loss of income.	100 000	100 000
<b>SJ Motors / City of Matlosana</b>		
A summons was brought against the council for the amount of R 29 212.57. SJ Motors is claiming money from the Council for repair fee.	29 213	29 213
<b>Mojo's Tent Hiring &amp; Enterprise CC / City of Matlosana</b>		
A letter of demand was sent to the council for payment.	1 132 800	1 132 800
<b>NJ Myburg \ City of Matlosana</b>		
Council is defending summons brought against the Council by plaintiff in lieu of fire damage to plaintiff's property.	1 007 879	1 007 879
<b>IMEC Investments (Pty) Ltd / City of Matlosana</b>		
Council is defending summons brought against the Council by plaintiff.	329 536	329 536

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>								
Property rates	210 264 000	236 364 000	3 342 527	239 706 527	181 286 149	58 420 378	76 %	86 %
Service charges	750 483 000	781 027 000		781 027 000	584 965 157	196 061 843	75 %	78 %
Investment revenue	4 500 000	2 700 000		2 700 000	58 725 094	(56 025 094)	2 175 %	1 305 %
Transfers recognised - operational	286 401 000	287 880 000		287 880 000	350 041 177	(62 161 177)	122 %	122 %
Other own revenue	175 626 000	183 095 000	(3 850 277)	179 244 723	336 006 043	(156 761 320)	187 %	191 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 427 274 000</b>	<b>1 491 066 000</b>	<b>(507 750)</b>	<b>1 490 558 250</b>	<b>1 511 023 620</b>	<b>(20 465 370)</b>	<b>101 %</b>	<b>106 %</b>
Employee costs	(350 903 000)	(336 877 000)	(9 837 928)	(346 714 928)	(401 166 657)	54 451 729	116 %	114 %
Remuneration of councillors	(16 326 000)	(16 326 000)	(443 009)	(16 769 009)	(16 747 815)	(21 194)	100 %	103 %
Debt impairment	(34 193 000)	(34 193 000)		(34 193 000)	(221 725 567)	187 532 567	648 %	648 %
Depreciation and asset impairment	(65 268 000)	(65 268 000)	(16 000)	(65 284 000)	(161 971 135)	96 687 135	248 %	248 %
Finance charges	(21 786 000)	(21 786 000)	3 769 264	(18 016 736)	(19 460 557)	1 443 821	108 %	89 %
Materials and bulk purchases	(406 702)	(406 702 000)	376 685	(406 325 315)	(405 844 890)	(480 425)	100 %	99 789 %
Other expenditure	(532 093 000)	(609 897 000)	1 139 491	(608 757 509)	(424 009 737)	(184 747 772)	70 %	80 %
<b>Total expenditure</b>	<b>(1 020 975 702)</b>	<b>(1 491 049 000)</b>	<b>(5 011 497)</b>	<b>(1 496 060 497)</b>	<b>(1 650 926 358)</b>	<b>154 865 861</b>	<b>110 %</b>	<b>162 %</b>
<b>Surplus/(Deficit)</b>	<b>406 298 298</b>	<b>17 000</b>		<b>(5 502 247)</b>	<b>(139 902 738)</b>	<b>134 400 491</b>	<b>2 543 %</b>	<b>(34)%</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	(96 428 000)	91 006 000		91 006 000	-	91 006 000	- %	- %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>309 870 298</b>	<b>91 023 000</b>		<b>85 503 753</b>	<b>(139 902 738)</b>	<b>225 406 491</b>	<b>(164)%</b>	<b>(45)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>309 870 298</b>	<b>91 023 000</b>		<b>85 503 753</b>	<b>(139 902 738)</b>	<b>225 406 491</b>	<b>(164)%</b>	<b>(45)%</b>



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>								
<b>Cash flows</b>								
Net cash from (used) operating	-	-		-	175 053 994	(175 053 994)	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-		-	(217 184 213)	217 184 213	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-		-	20 350 951	(20 350 951)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-		-	<b>(21 779 268)</b>	<b>21 779 268</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-		-	44 322 592	(44 322 592)	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	-	-		-	<b>22 543 324</b>	<b>(22 543 324)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2011

## Detailed Income statement

Figures in Rand	Note(s)	2011	2010
<b>Revenue</b>			
Rendering of services		48 351	(260 406)
Property rates	19	181 286 149	191 285 747
Service charges	20	582 695 319	513 206 881
Levies		2 269 838	2 188 442
Rental of facilities and equipment		5 634 976	7 025 755
Fines		8 387 312	6 220 373
Licences and permits		3 823 203	2 542 563
Government grants & subsidies	21	350 041 177	302 277 524
Market dues		11 379 191	10 890 251
Miscellaneous other revenue		400 657	112 541
Commissions received		8 767 443	9 167 651
Royalties received		1 740 078	770 858
Rental income		78 300	-
Discount received		398 309	342 062
Recoveries		1 529 600	874 229
Other income		38 650 043	12 561 486
Reconnections		18 185 444	19 378 611
Transfer for reserves and funds		144 741 554	132 336 285
Interest received - investment	26	58 725 094	58 211 165
<b>Total Revenue</b>		<b>1 418 782 038</b>	<b>1 269 132 018</b>
<b>Expenditure</b>			
Personnel	23	(401 166 657)	(342 230 715)
Remuneration of councillors	24	(16 747 815)	(14 462 711)
Depreciation and amortisation	27	(175 297 775)	(170 748 877)
Impairment loss/ Reversal of impairments		13 326 640	(14 800 920)
Finance costs	28	(19 460 557)	(19 512 295)
Debt impairment	25	(221 725 567)	(208 466 144)
Repairs and maintenance		(73 850 002)	(44 115 746)
Bulk purchases	31	(405 844 890)	(327 423 772)
Contracted services	30	(36 892 302)	(21 380 156)
General Expenses	22	(221 025 851)	(186 299 334)
<b>Total Expenditure</b>		<b>(1 558 684 776)</b>	<b>(1 349 440 670)</b>
<b>Deficit for the year</b>		<b>(139 902 738)</b>	<b>(80 308 652)</b>

**City of Matlosana**  
**Appendix A**

**Schedule of external loans as at 30 June 2011**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2010</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2011</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>

**Loan Stock**  
**Structured loans**  
**Funding facility**  
**Development Bank of South Africa**

DBSA @ 12%	JBC09588	30-Sep-2014	17 978 539	-	3 200 024	14 778 515
DBSA @ 15%	NW10959	30-Sep-2017	5 266 489	-	419 026	4 847 463
DBSA @ 15,25%	NW11182	30-Sep-2018	5 819 124	-	371 087	5 448 037
DBSA @ 15,60%	NW13637	30-Sep-2020	3 415 024	-	144 534	3 270 490
DBSA @ prime	NW13874/1	30-Sep-2019	5 000 000	-	555 556	4 444 444
DBSA @ prime	NW13874/2	30-Jun-2019	14 998 125	-	-	14 998 125
DBSA @ 11,50%	100395	30-Jun-2013	6 849 024	-	2 033 957	4 815 067
DBSA @ 11,20%	101297/1	30-Jun-2019	21 793 497	-	1 507 547	20 285 950
DBSA @ 11,20%	101297/2	30-Jun-2019	27 270 518	-	1 886 415	25 384 103
DBSA @ 15%	10556/101	31-Mar-2018	9 615 864	-	1 009 255	8 606 609
DBSA @ 15,25%	10906/101	30-Mar-2019	4 097 677	-	356 196	3 741 481
DBSA @ 15,25%	10912/102	20-Sep-2019	6 068 479	-	527 510	5 540 969
DBSA @ 15,25%	10913/102	30-Sep-2019	4 670 564	-	405 995	4 264 569
DBSA @ 15%	9740/102	31-Mar-2014	687 171	-	160 714	526 457
DBSA @ 15%	9741/102	31-Mar-2015	710 776	-	166 235	544 541
DBSA @ 15%	9743/102	31-Mar-2015	1 561 742	-	286 459	1 275 283
DBSA @ 15%	9746/102	31-Mar-2015	1 692 197	-	279 526	1 412 671
DBSA @ 12,25%	103677/1	01-Nov-2010	-	35 269 878	762 569	34 507 309
			<b>137 494 810</b>	<b>35 269 878</b>	<b>14 072 605</b>	<b>158 692 083</b>

**Bonds**  
**Other loans**  
**Lease liability**  
**Annuity loans**

INCA @ 12,25%	KLER-00-001	31-Dec-2013	6 947 772	-	1 699 716	5 248 056
			<b>6 947 772</b>	<b>-</b>	<b>1 699 716</b>	<b>5 248 056</b>

**Total external loans**

**City of Matlosana**  
**Appendix A**

**Schedule of external loans as at 30 June 2011**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2010</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2011</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
Development Bank of South Africa		137 494 810	35 269 878	14 072 605	158 692 083
Annuity loans		6 947 772	-	1 699 716	5 248 056
		<b>144 442 582</b>	<b>35 269 878</b>	<b>15 772 321</b>	<b>163 940 139</b>

**City of Matlosana  
City of Matlosana  
Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Depreciation  Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>											
Land (Separate for AFS purposes)	44 685 527	-	(44 685 527)	143 084 122	-	143 084 122	(2 007 857)	2 007 857	-	-	143 084 122
Buildings (Separate for AFS purposes)	135 999 987	10 857 428	-	-	751 345	147 608 760	(34 018 575)	-	(4 375 680)	(38 394 255)	109 214 505
	<b>180 685 514</b>	<b>10 857 428</b>	<b>(44 685 527)</b>	<b>143 084 122</b>	<b>751 345</b>	<b>290 692 882</b>	<b>(36 026 432)</b>	<b>2 007 857</b>	<b>(4 375 680)</b>	<b>(38 394 255)</b>	<b>252 298 627</b>
<b>Infrastructure</b>											
Roads, Pavements & Bridges	1 106 704 350	49 988 473	(127 976 268)	-	14 670 217	1 043 386 772	(301 495 906)	79 840 924	(30 482 869)	(252 137 851)	791 248 921
Sidewalks	44 502 785	4 312 084	(6 424 448)	-	949 426	43 339 847	(5 444 420)	3 280 761	(44 590 229)	(46 753 888)	(3 414 041)
Electricity Reticulation	384 541 931	9 933 870	(132 381 859)	-	2 287 189	264 381 131	(113 253 940)	78 960 664	(14 114 207)	(48 407 483)	215 973 648
Water Reticulation	491 800 816	17 821 564	(74 306 848)	-	13 498 831	448 814 363	(118 342 598)	44 199 089	(24 592 125)	(98 735 634)	350 078 729
Sewerage purification	668 934 371	11 285 713	(111 290 824)	-	32 818 310	601 747 570	(141 560 295)	46 722 009	(33 628 008)	(128 466 294)	473 281 276
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	7 176 515	-	(1 331 146)	-	-	5 845 369	(1 717 620)	1 104 223	(325 205)	(938 602)	4 906 767
Security systems	8 962 551	1 093 640	(4 391 459)	-	-	5 664 732	(7 699 395)	4 391 459	(867 903)	(4 175 839)	1 488 893
	<b>2 712 623 319</b>	<b>94 435 344</b>	<b>(458 102 852)</b>	<b>-</b>	<b>64 223 973</b>	<b>2 413 179 784</b>	<b>(689 514 174)</b>	<b>258 499 129</b>	<b>(148 600 546)</b>	<b>(579 615 591)</b>	<b>1 833 564 193</b>
<b>Community Assets</b>											
Parks & gardens	16 238 133	1 569 485	-	-	-	17 807 618	(7 231 598)	-	(694 146)	(7 925 744)	9 881 874
Buildings	64 876 528	9 351 998	-	-	7 619 079	81 847 605	(21 572 698)	-	(1 994 032)	(23 566 730)	58 280 875
	<b>81 114 661</b>	<b>10 921 483</b>	<b>-</b>	<b>-</b>	<b>7 619 079</b>	<b>99 655 223</b>	<b>(28 804 296)</b>	<b>-</b>	<b>(2 688 178)</b>	<b>(31 492 474)</b>	<b>68 162 749</b>

**City of Matlosana  
City of Matlosana  
Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Heritage assets											
Museum	242 839	-	-	-	-	242 839	(84 725)	-	-	(84 725)	158 114
Statues	244 963	121 273	-	-	-	366 236	-	-	-	-	366 236
Historical buildings	713 407	-	-	-	-	713 407	-	-	-	-	713 407
Historical sites	19 591	-	-	-	-	19 591	-	-	-	-	19 591
Paintings and sculptures	349 736	-	-	-	-	349 736	-	-	-	-	349 736
	1 570 536	121 273	-	-	-	1 691 809	(84 725)	-	-	(84 725)	1 607 084
Specialised vehicles											
Other assets											
General vehicles	95 334 768	18 659 279	-	-	-	113 994 047	(55 282 918)	-	(5 464 858)	(60 747 776)	53 246 271
Plant & equipment	109 667 498	1 881 825	(3 214)	-	155 373	111 701 482	(73 217 484)	3 214	(8 704 814)	(81 919 084)	29 782 398
Furniture & Fittings	28 524 256	789 388	(142 288)	-	-	29 171 356	(25 533 833)	142 288	(820 637)	(26 212 182)	2 959 174
Office Equipment	31 912 041	4 131 231	(20 853)	-	-	36 022 419	(22 269 524)	20 853	(3 736 206)	(25 984 877)	10 037 542
Containers	9 741 662	588 993	-	-	-	10 330 655	(6 222 220)	-	(782 516)	(7 004 736)	3 325 919
Emergency	1 428 512	324 623	(7 383)	-	-	1 745 752	(573 474)	7 383	(120 230)	(686 321)	1 059 431
Watercraft	7 432	325 202	-	-	-	332 634	(4 459)	-	(4 109)	(8 568)	324 066
	276 616 169	26 700 541	(173 738)	-	155 373	303 298 345	(183 103 912)	173 738	(19 633 370)	(202 563 544)	100 734 801
Total property plant and equipment											
Land and buildings	180 685 514	10 857 428	(44 685 527)	143 084 122	751 345	290 692 882	(36 026 432)	2 007 857	(4 375 680)	(38 394 255)	252 298 627
Infrastructure	2 712 623 319	94 435 344	(458 102 852)	-	64 223 973	2 413 179 784	(689 514 174)	258 499 129	(148 600 546)	(579 615 591)	1 833 564 193
Community Assets	81 114 661	10 921 483	-	-	7 619 079	99 655 223	(28 804 296)	-	(2 688 178)	(31 492 474)	68 162 749
Heritage assets	1 570 536	121 273	-	-	-	1 691 809	(84 725)	-	-	(84 725)	1 607 084
Other assets	276 616 169	26 700 541	(173 738)	-	155 373	303 298 345	(183 103 912)	173 738	(19 633 370)	(202 563 544)	100 734 801
	3 252 610 199	143 036 069	(502 962 117)	143 084 122	72 749 770	3 108 518 043	(937 533 539)	260 680 724	(175 297 774)	(852 150 589)	2 256 367 454
Agricultural/Biological assets											
Intangible assets											
Investment properties											
Farms	2 367 580	-	-	-	-	2 367 580	-	-	-	-	2 367 580
Office park	61 761 911	-	-	-	-	61 761 911	-	-	-	-	61 761 911
Housing	3 014 909	-	-	-	-	3 014 909	-	-	-	-	3 014 909
	67 144 400	-	-	-	-	67 144 400	-	-	-	-	67 144 400
Total											
Land and buildings	180 685 514	10 857 428	(44 685 527)	143 084 122	751 345	290 692 882	(36 026 432)	2 007 857	(4 375 680)	(38 394 255)	252 298 627
Infrastructure	2 712 623 319	94 435 344	(458 102 852)	-	64 223 973	2 413 179 784	(689 514 174)	258 499 129	(148 600 546)	(579 615 591)	1 833 564 193
Community Assets	81 114 661	10 921 483	-	-	7 619 079	99 655 223	(28 804 296)	-	(2 688 178)	(31 492 474)	68 162 749
Heritage assets	1 570 536	121 273	-	-	-	1 691 809	(84 725)	-	-	(84 725)	1 607 084
Other assets	276 616 169	26 700 541	(173 738)	-	155 373	303 298 345	(183 103 912)	173 738	(19 633 370)	(202 563 544)	100 734 801
Investment properties	67 144 400	-	-	-	-	67 144 400	-	-	-	-	67 144 400

**City of Matlosana  
City of Matlosana  
Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
3 319 754 599	143 036 069	(502 962 117)	143 084 122	72 749 770	3 175 662 443	(937 533 539)	260 680 724	(175 297 774)	(852 150 589)	2 323 511 854

**City of Matlosana**  
**Appendix C**

Segmental analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>											
Health/Clinics	6 426 496	65 123	(30 640)	-	-	6 460 979	(5 397 485)	20 611	(85 789)	(5 462 663)	998 316
Comm. & Social/Libraries and archives	137 353 536	12 898 039	(6 915 796)	-	6 431 679	149 767 458	(90 316 299)	3 617 500	(5 650 060)	(92 348 859)	57 418 599
Housing	24 567 889	-	(15 026 686)	-	-	9 541 203	(4 290 025)	226 067	(674 150)	(4 738 108)	4 803 095
Public Safety/Police	56 228 037	6 074 819	(3 912 313)	-	-	58 390 543	(25 960 826)	2 393 331	(3 910 720)	(27 478 215)	30 912 328
council general	29 408 988	12 095 401	(228 002)	-	751 345	42 027 732	(3 604 076)	165 967	(3 051 567)	(6 489 676)	35 538 056
City Civil Engineer	2 433 269 909	92 751 588	(326 886 622)	-	61 202 198	2 260 337 073	(608 211 860)	168 235 274	(136 767 608)	(576 744 194)	1 683 592 879
City Electrical Engineer	460 666 806	11 332 580	(150 087 408)	-	4 364 547	326 276 525	(148 123 823)	82 560 809	(19 429 350)	(84 992 364)	241 284 161
Corporate services	46 327 867	4 465 848	(4 334 941)	210 228 522	-	256 687 296	(23 917 161)	2 674 421	(2 026 567)	(23 269 307)	233 417 989
Financial section	28 851 673	2 622 453	(302 241)	-	-	31 171 885	(14 057 944)	250 000	(2 354 285)	(16 162 229)	15 009 656
Market	30 784 522	685 477	(485 942)	-	-	30 984 057	(12 551 110)	485 942	(1 096 772)	(13 161 940)	17 822 117
Local economic development	4 128 037	44 740	(155 083)	-	-	4 017 694	(1 102 930)	50 803	(250 907)	(1 303 034)	2 714 660
	<b>3 258 013 760</b>	<b>143 036 068</b>	<b>(508 365 674)</b>	<b>210 228 522</b>	<b>72 749 769</b>	<b>3 175 662 445</b>	<b>(937 533 539)</b>	<b>260 680 725</b>	<b>(175 297 775)</b>	<b>(852 150 589)</b>	<b>2 323 511 856</b>
<b>Municipal Owned Entities</b>											
<b>Total</b>											
Municipality	3 258 013 760	143 036 068	(508 365 674)	210 228 522	72 749 769	3 175 662 445	(937 533 539)	260 680 725	(175 297 775)	(852 150 589)	2 323 511 856
	<b>3 258 013 760</b>	<b>143 036 068</b>	<b>(508 365 674)</b>	<b>210 228 522</b>	<b>72 749 769</b>	<b>3 175 662 445</b>	<b>(937 533 539)</b>	<b>260 680 725</b>	<b>(175 297 775)</b>	<b>(852 150 589)</b>	<b>2 323 511 856</b>



**City of Matlosana**  
**Appendix D**

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
4 841 708	86 878 097	(82 036 389)	Executive & Council/Mayor and Council	30 545 299	143 272 136	(112 726 837)
537 584 518	209 975 562	327 608 956	Finance & Admin/Finance	537 944 215	238 429 540	299 514 675
(1 750)	13 993 508	(13 995 258)	Planning and Development/Economic Development/Plan	12 511 024	28 175 020	(15 663 996)
298 301	7 779 154	(7 480 853)	Health/Clinics	251 603	7 331 985	(7 080 382)
106 478 219	138 612 964	(32 134 745)	Comm. & Social/Libraries and archives	119 050 839	166 400 272	(47 349 433)
2 865 457	11 551 116	(8 685 659)	Housing	2 173 847	27 757 761	(25 583 914)
22 292 066	142 068 939	(119 776 873)	Public Safety/Police	94 803 147	133 179 912	(38 376 765)
249 322 089	392 252 066	(142 929 977)	Road Transport/Roads	270 510 345	438 717 301	(168 206 956)
318 820 365	280 125 415	38 694 950	Electricity /Electricity Distribution	395 535 628	423 168 126	(27 632 498)
26 631 045	51 402 929	(24 771 884)	Other/Air Transport	47 697 673	57 820 915	(10 123 242)
<b>1 269 132 018</b>	<b>1 334 639 750</b>	<b>(65 507 732)</b>		<b>1 511 023 620</b>	<b>1 664 252 968</b>	<b>(153 229 348)</b>
<b>Municipal Owned Entities Other charges</b>						
1 269 132 018	1 334 639 750	(65 507 732)	Municipality	1 511 023 620	1 664 252 968	(153 229 348)
<b>1 269 132 018</b>	<b>1 334 639 750</b>	<b>(65 507 732)</b>	<b>Total</b>	<b>1 511 023 620</b>	<b>1 664 252 968</b>	<b>(153 229 348)</b>

**City of Matlosana**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011**

	<b>Current year 2011 Act. Bal.</b>	<b>Current year 2011 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Var</b>
<b>Revenue</b>				
Rendering of services	48 351	398 070	(349 719)	(87,9) Under collection
Property rates	181 286 149	239 706 527	(58 420 378)	(24,4) Offset of rebates and other
Service charges	582 695 319	781 028 622	(198 333 303)	(25,4) Offset of rebates and free basic services
Levies	2 269 838	-	2 269 838	-
Rental of facilities and equipment	5 634 975	6 139 000	(504 025)	(8,2)
Fines	8 387 312	9 052 000	(664 688)	(7,3)
Licences and permits	3 823 203	5 128 000	(1 304 797)	(25,4)
Government grants & subsidies	350 041 176	287 880 000	62 161 176	21,6 Received more grants from treasury
Market dues	11 379 191	11 372 720	6 471	0,1
Other income	214 491 430	89 743 061	124 748 369	139,0 Increased income
Interest received - investment	58 725 094	60 618 000	(1 892 906)	(3,1)
	<b>1 418 782 038</b>	<b>1 491 066 000</b>	<b>(72 283 962)</b>	<b>(4,8)</b>
<b>Expenses</b>				
Personnel	(401 166 661)	(336 877 000)	(64 289 661)	19,1 Leave accruals and provisions accounted for
Remuneration of councillors	(16 747 814)	(16 326 000)	(421 814)	2,6
Depreciation	(175 297 776)	(65 268 000)	(110 029 776)	168,6 GRAP 17 implementaion relates to higher depreciation
Impairments	-	-	-	-
Finance costs	(19 460 557)	(21 786 000)	2 325 443	(10,7)
Debt impairment	(208 398 927)	(34 193 000)	(174 205 927)	509,5 The provision is higher than anticipated
Repairs and maintenance - General	(73 850 003)	(72 443 346)	(1 406 657)	1,9
Bulk purchases	(405 844 890)	(406 702 476)	857 586	(0,2)
Contracted Services	(36 892 302)	(34 086 000)	(2 806 302)	8,2
General Expenses	(221 025 852)	(503 366 178)	282 340 326	(56,1) Rebates and free services offset against income
	<b>(1 558 684 782)</b>	<b>(1 491 048 000)</b>	<b>(67 636 782)</b>	<b>4,5</b>
<b>Other revenue and costs</b>				
	-	-	-	-
<b>Net surplus/ (deficit) for the year</b>	<b>(139 902 744)</b>	<b>18 000</b>	<b>(139 920 744)</b>	<b>(777 337,5)</b>

**City of Matlosana**  
**Appendix E(2)**

**Budget Analysis of Capital Expenditure as at 30 June  
2011**

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant</b>
	<b>Rand</b>	<b>Budget</b>	<b>Rand</b>	<b>%</b>	<b>variances from budget</b>
		<b>Rand</b>			
<b>Municipality</b>					
Land and Buildings : Land	6 587 136	34 890 494	28 303 358	<b>81</b>	
Infrastructure : Electricity networks	8 764 899	18 603 561	9 838 662	<b>53</b>	
Infrastructure : Roads and stormwater	36 524 608	94 842 016	58 317 408	<b>61</b>	
Infrastructure : Water networks	14 925 992	36 771 208	21 845 216	<b>59</b>	
Infrastructure : Sewerage networks	39 978 828	58 059 133	18 080 305	<b>31</b>	
Infrastructure : Sidewalks	1 471 292	8 342 872	6 871 580	<b>82</b>	
Infrastructure : Security systems	1 093 640	1 405 000	311 360	<b>22</b>	
Community assets : Buildings	13 394 501	20 304 176	6 909 675	<b>34</b>	
Community assets : Parks and recreation	1 569 485	3 355 000	1 785 515	<b>53</b>	
Heritage assets : Statues	121 273	469 418	348 145	<b>74</b>	
Other assets : Office equipment	4 131 231	4 728 493	597 262	<b>13</b>	
Other assets : Furniture	789 388	3 355 880	2 566 492	<b>76</b>	
Other assets : Containers	588 993	1 410 000	821 007	<b>58</b>	
Other assets : Emergency equipment	324 623	480 000	155 377	<b>32</b>	
Other assets : Vehicles	17 845 319	19 127 612	1 282 293	<b>7</b>	
Other assets : Watercraft	325 202	600 000	274 798	<b>46</b>	
Other assets : Plant and equipment	1 933 538	7 571 733	5 638 195	<b>74</b>	
Security systems	-	-	-	-	
Community assets	-	-	-	-	
	-	-	-	-	
	<b>150 369 948</b>	<b>314 316 596</b>	<b>163 946 648</b>	<b>52</b>	
<b>Municipal Owned Entities</b>	-	-	-	-	
<b>Other charges</b>	-	-	-	-	

City of Matlosana

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
MIG	National Treasury	40 200	20 000	252	-	12 676	19 491	16 668	17 106		Yes	
Nersa	National Treasury	-	-	-	-	-	652	512	2 329		Yes	
FMG	National Treasury	1 000	-	-	-	109	140	342	263		Yes	
DWAF	National Treasury	-	-	-	-	-	-	-	-		Yes	
MSIG	National Treasury	750	-	-	-	114	603	195	121		Yes	
EPWP	National Treasury	-	-	35	1 670	-	-	-	-		Yes	
Fire	Provincial Treasury	-	-	-	-	-	2 255	325	-		Yes	
Library	Provincial Treasury	-	-	-	-	7	136	151	137		Yes	
		41 950	20 000	287	1 670	12 906	23 277	18 193	19 956			

The amounts above are in R '000